

FISCAL NOTE

Bill #: HB0513

Title: Extend tax credit for donation for developmental disabilities services

Primary Sponsor: Raser, H

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
State Special Revenue	\$10,000	\$10,000
Federal Special Revenue	\$17,038	\$16,443
Revenue:		
General Fund	\$1,500	\$0
State Special Revenue	\$10,000	\$10,000
Federal Special Revenue	\$17,038	\$16,443
Net Impact on General Fund Balance:	\$1,500	\$0

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. HB513 extends the termination date for HB452 passed during the 2003 Legislative Session from January 1, 2006 to January 1, 2008.

HB452 – 2003 Session

2. HB452 (2003) provided for a developmental disability adult services account in the state special revenue fund. Taxpayers were allowed to make donations to the account to provide services to individuals with developmental disabilities. A portion of the money in the account was to be used by the Department of Public Health and Human Services to obtain federal matching funds for expenditures on programs for the developmentally disabled.

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3. Individuals, corporations, partnerships, and small business corporations were allowed a tax credit against either individual income or corporation license taxes equal to 30% of the donation, up to a maximum credit of \$10,000. The credit cannot exceed the taxpayer's tax liability; may not be carried forward or backwards, and must be applied in the year in which the donation is made.
4. HB452 also provided that 30% of the money in the account for which a tax credit will be claimed must be transferred to the general fund for reimbursement of tax credit. This transfer will be done by the Department of Health and Human Services as donations are received in the account. Because taxpayers are allowed a tax credit of 30% of their donations to the account, and because 30% of the donations deposited to the account must be transferred to the general fund, *there is no impact to the state general fund from this legislation over time.*

Impact of HB513

5. Extending the termination date of HB452 to January 1, 2008 has no long-run impact on the state general fund; however, it may affect the timing of when revenues are received by the general fund. This affect will depend on the amount of donations made to the account. As of this date, there have been no known contributions to the account since HB452 was passed. However, DPHHS plans to more actively market this program in coming months which will act to generate donations to the account. (See fiscal note from DPHHS).
6. It is assumed that beginning July 1, 2005 taxpayers will make donations totaling \$2,500 quarterly to the developmental disabilities account created by HB452. The following table shows the impact to the state general fund from these donations, and the associated tax credits transferred and claimed on income tax returns.

Impact of HB513 by Calendar and Fiscal Year					
Calendar Quarter	Contributions Made	Associated Credit Transferred to General Fund (30%)	Tax Credit Claimed on Returns	Fiscal Year	Net Impact
2005:3	2,500	750			
2005:4	2,500	750			
2006:1	2,500	750			
2006:2	2,500	750	(1,500)	2006	1,500
2006:3	2,500	750			
2006:4	2,500	750			
2007:1	2,500	750			
2007:2	2,500	750	(3,000)	2007	0
2007:3	2,500	750			
2007:4	2,500	750			
2008:1	0	0			
2008:2	0	0	(3,000)	2008	(1,500)
2008:3	0	0			
2008:4	0	0			
Total Impact	25,000	7,500	(7,500)		0

7. In FY2006,. Of this amount, 30%, or \$3,000 will be transferred to the state general fund. Taxpayers will claim \$1,500 in credit on tax returns filed in FY2006 for the \$5,000 in donations made in TY2005 (\$5,000 in donations x 30% credit). This results in a net increase of \$1,500 in revenue to the state general fund in FY2006.

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8. In FY2007, a total of \$10,000 again will be donated to the account with \$3,000 (30%) of this amount transferred to the state general fund. Taxpayers will also take a total of \$3,000 in credit on tax returns filed in FY2007, resulting in no impact to the general fund in FY2007.
9. In FY2008, taxpayers will donate \$5,000 to the account for which a credit is allowed, of which \$1,500 will be transferred to the state general fund. Taxpayers will claim \$3,000 in credit on returns filed in FY2008, for a net impact on the general fund of \$(1,500).
10. There are no administrative impacts associated with this bill.

Department of Public Health and Human Services

11. This bill extends the developmental disability adult services state special revenue account to the termination date of January 1, 2008. Taxpayers may make donations to the account to provide services to individuals with developmental disabilities. A portion of the money in the account must be used by the department of public health and human services to obtain federal matching funds for expenditures on programs for the developmentally disabled. This bill will impact revenues in fiscal years 2006, 2007, and 2008.
12. The bill provides that 30 percent of the money in the account for which a tax credit will be claimed must be transferred to the general fund for reimbursement of the tax credit.
13. From initiation of the account on January 1, 2003 to the current date of February 3, 2005, there have been no donations to this account. Some marketing efforts on behalf of the department are expected to increase revenues beginning in FY 2006.
14. It is estimated that due to these efforts, beginning July 1, 2005 there will be donations to the account of \$2500 per quarter for a total of \$10,000 in FY 2006 and FY 2007.
15. The account will be self-supporting and the costs associated with administering the account would be taken from account proceeds.
16. Thirty percent will be transferred to the general fund for reimbursement of the general fund. Seventy percent will be used to match with federal funds.
 - a. General Fund $\$10,000 \times .30 = \$3,000$
 - b. Federal Fund $\$10,000 \times .70 = \$7,000$
17. For services to be matched under the Developmental Disabilities Home and Community Based waiver, the individuals must be Medicaid eligible. The Federal Medical Assistance Percentage (FMAP) is 70.88 percent in FY 2006 and 70.14 in FY 2007. The state's share is then 29.12 percent in FY 2006 and 29.86 percent in FY 2007.
18. The federal match generated from these donations will be \$17,038 ($(7000 / .2912) - \7000) in FY 2006 and \$16,443 ($(7000 / .2986) - 7000$) in FY 2007.
 - a. FY 2006 $\$7,000 \times .2912 = \$24,038 \times .7088 = \$17,038$
 - b. FY 2007 $\$7,000 \times .2986 = \$23,443 \times .7014 = \$16,443$
19. Total funds available to provide services to individuals with developmental disabilities will be \$24,038 in FY 2006 and \$23,443 in FY 2007.
 - a. FY 2006 $\$7,000 + \$17,038 = \$24,038$
 - b. FY 2007 $\$7,000 + \$16,443 = \$23,443$
20. Activities funded by the account would include one-time services such as special accommodations, wheel-chair ramps, or specialized equipment needs.

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FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Benefits	\$24,038	\$23,443
Transfers	<u>\$3,000</u>	<u>\$3,000</u>
TOTAL	\$27,038	\$26,443
 <u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$10,000	\$10,000
Federal Special Revenue (03)	<u>\$17,038</u>	<u>\$16,443</u>
TOTAL	\$27,038	\$26,443
 <u>Revenues:</u>		
General Fund (01)	\$1,500	\$0
State Special Revenue (02)	\$10,000	\$10,000
Federal Special Revenue (03)	<u>\$17,038</u>	<u>\$16,443</u>
TOTAL	\$28,538	\$26,443
 <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$1,500	\$0

LONG-RANGE IMPACTS:

HB 513 terminates January 1, 2008. Revenues received in the first half of FY 2008 are expected to be approximately half of the amount received in each of fiscal years 2006 and 2007. General fund revenues are reduced \$1,500 in FY2008.

TECHNICAL NOTES:

1. In order for funds to be matched with federal Medicaid funding, the donations cannot be designated for a specific individual.
2. Expenditures from the developmental disability service donations account and federal matching funds would have to be appropriated.